



ARTICLE II. DEFINITIONS

§ -21 **Definitions.** As used in this compact, unless the context clearly requires a different meaning:

"Company-specific grant" means any disbursement of funds via property, cash, or deferred tax liability, by the state government to a particular company.

"Company-specific tax incentive" includes:

- (1) Any change in the general tax rate or valuation offered or presented to a specific company that is not available to other similarly situated companies; and
- (2) Any tax incentive that is part of a special agreement negotiated with an official of the state government.

"Corporate welfare" means any company-specific or industry-specific disbursement of funds via property, cash, or deferred or reduced tax liability, by a state or local government, to a particular company or industry.

"Located in any other member state" means any office space, manufacturing facility, or company headquarters that is physically located in another member state, whether or not the company has other property in the member state.



1 "Member state" means any state or the District of Columbia  
2 that has enacted a statute agreeing to this compact.

3 ARTICLE III. FINDINGS

4 **§ -31 Findings.** The member states find that:

- 5 (1) Corporate welfare as an economic development policy is  
6 among the least effective uses of taxpayer dollars;
- 7 (2) Local and state leaders are in a prisoner's dilemma  
8 where it is in everyone's interest to stop the  
9 practice of corporate welfare altogether and create a  
10 level playing field for all employers, but each level  
11 of government has an incentive to subsidize a company  
12 through a tax abatement, tax credit, or direct  
13 subsidy, thereby generating a race to the bottom;
- 14 (3) State and local government cooperation to phase out  
15 all forms of corporate welfare, including company-  
16 specific and industry-specific subsidies, is required  
17 to free government leaders from the prisoner's  
18 dilemma;
- 19 (4) While it will take years to build a national consensus  
20 to phase out all forms of corporate welfare,  
21 governments should begin to phase out the most



1           egregious and destructive forms of corporate welfare  
2           as soon as practicable, where agreement among some  
3           governments to do so can be reached;

4           (5) Companies should grow and potentially relocate to  
5           other states based on the general condition of those  
6           states (including but not limited to modern  
7           infrastructure, an educated workforce, a clean  
8           environment, and a favorable tax and regulatory  
9           climate), not based on the size of a specific grant  
10          for that company;

11          (6) Company-specific subsidies fuel business inequality  
12          because only the largest businesses tend to receive  
13          these subsidies;

14          (7) A hopeful path toward ending the practice of corporate  
15          welfare altogether is to begin with the most  
16          problematic of these practices, which are company-  
17          specific offers to companies located in other states;

18          (8) Creating a national board of appointees from states  
19          that results in a permanent body charged with finding  
20          consensus, and drafting improvements and revisions to





## 1 ARTICLE V. EXCLUSIONS

2 § -51 Exclusions. (a) Workforce development grants for  
3 employee training shall not be subject to this compact, as the  
4 company receiving the grant may benefit but the employees  
5 receiving the training are the largest beneficiaries.

6 (b) This compact is not retroactive and existing company-  
7 specific grants shall not be impacted by this compact; provided  
8 that any changes to the terms of any existing company-specific  
9 grants shall be considered new company-specific grants and  
10 prohibited under the terms of this compact.

## 11 ARTICLE VI. WITHDRAWAL

12 § -61 Withdrawal. Any member state may withdraw from  
13 this compact with six months' written notice to the chief  
14 executive officer of every other member state to this compact.

## 15 ARTICLE VII. ENFORCEMENT

16 § -71 Enforcement. (a) The chief law enforcement  
17 officer of each member state shall enforce this compact.

18 (b) A taxpaying resident of any member state shall have  
19 standing in the courts of any member state to require the chief  
20 law enforcement officer of that member state to enforce this  
21 compact.



1 ARTICLE VIII. NATIONAL BOARD OF STATES TO DRAFT AND DISSEMINATE  
2 NEXT STEPS TO PHASE OUT CORPORATE WELFARE

3 § -81 National board of states; establishment; purpose;

4 next steps. (a) A board of member states to the Interstate  
5 Compact to Phase Out Corporate Welfare Act is established by  
6 this compact.

7 (1) Each chief executive officer of each member state  
8 shall appoint one member to the board.

9 (2) The board shall accept appointees from non-member  
10 states that wish to appoint a member of the board.

11 (b) The board's purpose shall be to publish suggested  
12 revisions to this compact that relate to continuing to phase out  
13 all forms of corporate welfare, including from local  
14 governments, for consideration by state legislatures.

15 (c) The board shall:

16 (1) Convene at least annually;

17 (2) Elect officers from its membership;

18 (3) Establish rules and procedures for its governance;

19 (4) Collect testimony from all interested parties,  
20 including member states and organizations, and

21 associations representing state legislators, taxpayers



1           and subject matter experts, on how this compact may be  
2           improved and strengthened; and

3           (5) Publish a report in December of each year that  
4           includes suggested revisions and improvements to this  
5           compact.

6           ARTICLE IX. CONSTRUCTION AND SEVERABILITY

7           § -91 **Construction.** The provisions of this compact  
8           shall be liberally construed to effectuate its purposes.

9           § -92 **Severability.** (a) If any phrase, clause,  
10          sentence, or provision of this compact, or the applicability of  
11          any phrase, clause, sentence, or provision therein to any  
12          government, agency, person, or circumstance is declared in a  
13          final judgment by a court of competent jurisdiction to be  
14          contrary to the constitution of the United States or is  
15          otherwise held invalid, the validity of the remainder of this  
16          compact and the applicability of the remainder of this compact  
17          to any government, agency, person, or circumstance shall not be  
18          affected.

19          (b) If this compact is held to be contrary to the  
20          constitution of any member state, the compact shall remain in  
21          full force and effect as to:





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- 1 (1) The remaining member states; and  
2 (2) The affected member state as to all severable  
3 matters."

4 SECTION 2. This Act shall take effect on July 1, 2020.

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INTRODUCED BY:



JAN 09 2020



# H.B. NO. 1610

**Report Title:**

Corporate Welfare; Phase Out; Interstate Compact

**Description:**

Adopts the Interstate Compact to Phase Out Corporate Welfare.

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